

Ken Burke, CPA


CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

Clerk of the County Court
Recorder of Deeds
Clerk and Accountant of the Board of County Commissioners
Custodian of County Funds
County Auditor

***Division of Inspector General**

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TO: The Honorable Chairman and Members
of the Board of County Commissioners

FROM:  Ken Burke, CPA
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor

SUBJECT: Audit of Solid Waste Municipal Recycling Reimbursement Grants

DATE: August 30, 2012

For your review and filing in the Official Records, I am enclosing a copy of the report dated August 30, 2012 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
David E. Scott P.E., Executive Director, DEI
Robert Hauser, Division Director I, DEI
Deb Bush, Recycling & System Mgmt., Section Manager 2, DEI
Jim Bennett, County Attorney
Claretha N. Harris, Chief Deputy Director, Finance Division
Ernst & Young



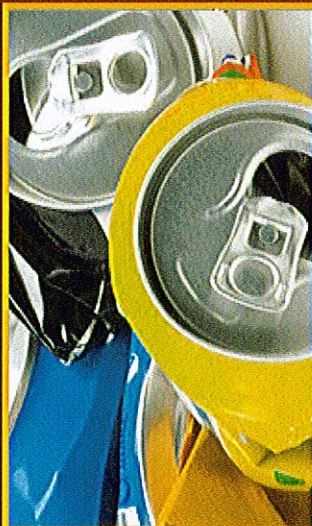
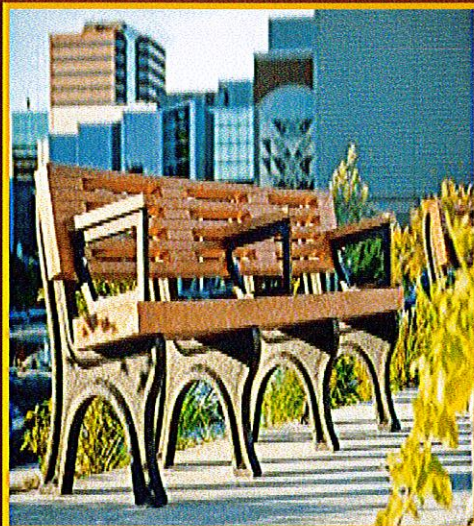


DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA**

AUDIT OF SOLID WASTE MUNICIPAL RECYCLING REIMBURSEMENT GRANTS

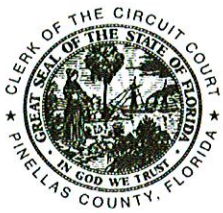


**Hector Collazo, Jr., Director
Inspector General/Chief Audit Executive**

Audit Team

**Ken Green, CIGA – Senior Inspector General Auditor
Flo Riggie, CIA, CIGA, CISA, CRISC, ITIL-F – Inspector General Auditor II**

**AUGUST 30, 2012
REPORT NO. 2012-17**



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August 30, 2012

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted an audit of the Solid Waste Municipal Recycling Reimbursement Grants. Our audit objectives were to:

- Determine if the Solid Waste Municipal Recycling Reimbursement Grants comply with Board of County Commissioner's Resolution 05-59 (Resolution 05-59).
- Determine the adequacy of internal controls on the part of Solid Waste and the Municipalities in regard to Solid Waste Municipal Recycling Reimbursement Grants.
- Determine if the Solid Waste Municipal Recycling Reimbursement Grants have produced measurable benefits.

We conclude that in fiscal year 2009/2010, municipal recycling reimbursement grant funding was distributed accurately and timely by the Division of Solid Waste. Receipts from municipalities were substantiated, and appropriately accepted for only allowable expenditures.

Based on the information provided by management, we could not determine to what extent the current level of reimbursement funding benefited the county or the municipalities. Key performance indicators that would provide measurement of such benefits are lacking. Opportunities for Improvement are presented in this report.

We appreciate the cooperation shown by the staff of the Division of Solid Waste during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor
*Regulated by the State of Florida



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INTRODUCTION

Synopsis

The Division of Solid Waste (DSW) is in compliance with Solid Waste Municipal Recycling Reimbursement Grants for the Board of County Commissioner's Resolution 05-59 (Resolution 05-59) policy for determination and distribution of recycling reimbursement grant funds. Internal controls in regard to tracking and verification of funding use are adequate. Although DSW tracks and measures the effectiveness of the countywide recycling efforts, there are no metrics established to identify the effectiveness of the Municipal Reimbursement Grant's (Grant Program) contribution to these efforts. Opportunities for Improvement exist in the area of measuring benefits of the Grant Program. Metrics to determine the optimal level of funding need to be developed as well as metrics to determine to what extent the Grant Program helps the county reach its recycling goals.

Scope and Methodology

We conducted an audit of Solid Waste Municipal Recycling Reimbursement Grants. The audit covered the distribution of grant funds to municipalities based on the procedures set forth in Resolution 05-59 and the Division of Solid Waste budget allocations for the Municipal Recycling Reimbursement Grant Program.

The objectives of our audit were to:

- Determine if the Solid Waste Municipal Recycling Reimbursement Grants comply with Resolution 05-59.
- Determine the adequacy of internal controls on the part of DSW and the municipalities in regard to Solid Waste Municipal Recycling Reimbursement Grants.
- Determine if the Solid Waste Municipal Recycling Reimbursement Grants have produced measurable benefits.

In order to meet the objectives of our audit we:

- Interviewed individuals responsible for calculation and distribution of DSW funds, including staff of DSW, Utilities Finance, and the Office of Management and Budget (OMB) to obtain a clear understanding of the distribution process.
- Reviewed expenditure source documentation and the basis used for distributing funds to municipalities.
- Evaluated the allocation methodology, and compliance with procedures. We also reviewed the municipalities' expenditures of these funds.
- Evaluated the impact of providing the grants and justification for providing future grants.

We performed such other audit procedures that we considered necessary in the circumstances.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 1, 2009 through September 30, 2010. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

In fiscal year 2009/2010, the DSW distributed municipal recycling reimbursement grant funding accurately and timely. Receipts from municipalities were substantiated, and appropriately accepted for only allowable expenditures.

Based on the information provided by management, we could not determine to what extent the current level of reimbursement funding benefits the county or the municipalities. DSW does measure the effectiveness of countywide recycling at a level consistent with the State of Florida recycling measures. However, key performance indicators necessary to ascertain the Grant Program's affect, if any, on countywide recycling are lacking.

Action Plan

FINDING NO.	FINDING (CAPTION) RECOMMENDATIONS	MANAGEMENT RESPONSES			IMPLEMENTATION STATUS	
		Concur	Partially Concur	Do Not Concur	In Progress	Planned
1	The Benefit Of The Municipal Recycling Grant Reimbursement Program Is Not Being Identified Or Measured. We recommend that the Division of Solid Waste develop statistical measurements to determine and quantify the benefits of the Pinellas County Municipal Recycling Reimbursement Grant Program.		✓		✓	

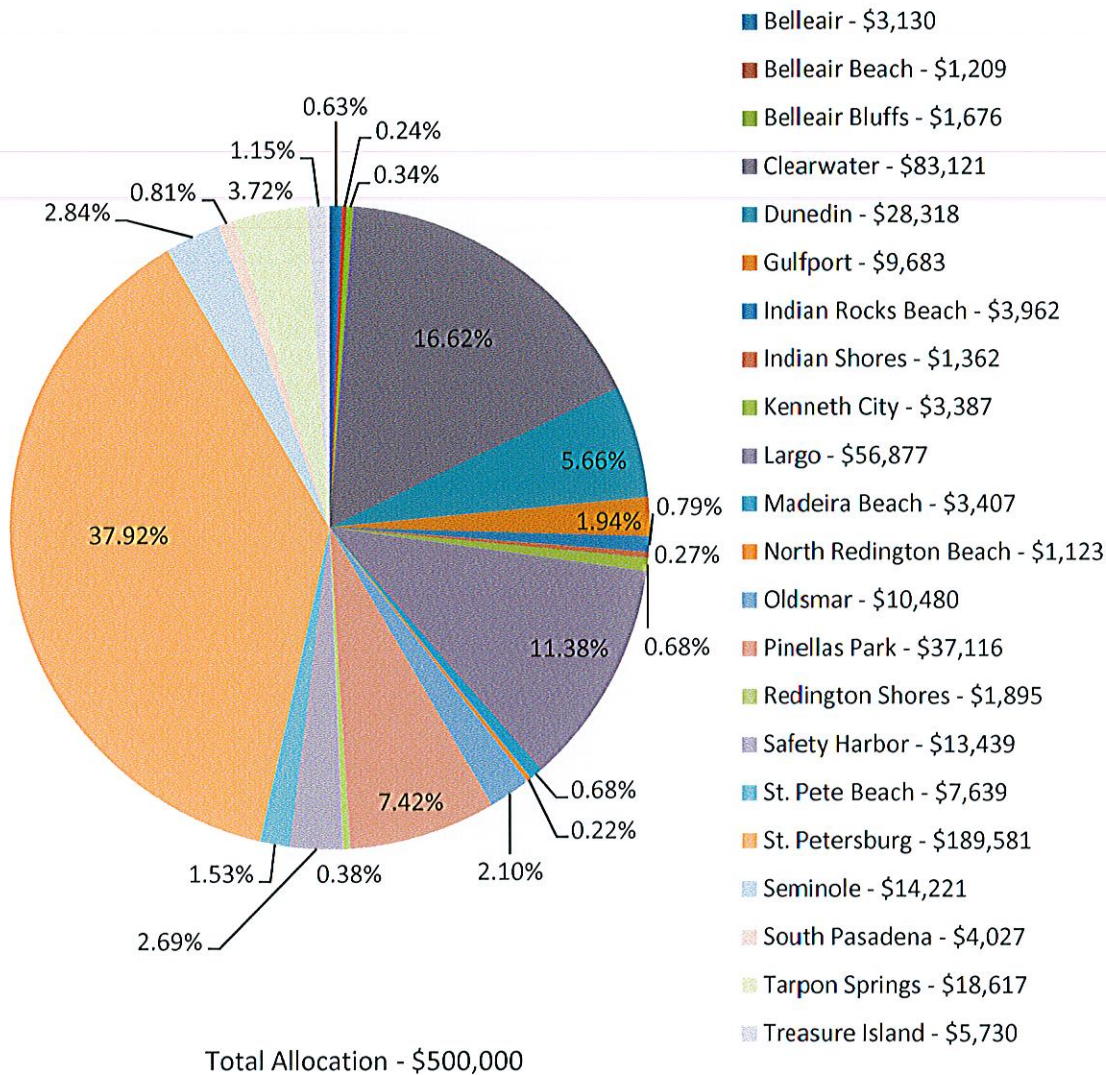
Background

The Pinellas County Municipal Recycling Reimbursement Grant Program began in 2005. Historically, state grants had provided funding on a per capita reimbursement basis to assist recycling programs at the local level. During fiscal year 2000/2001, state grant funding for recycling and education was phased out. At the close of fiscal year 2003/2004, state funding for the Waste Tire Recovery Grant was also eliminated.

In an effort to maintain and increase the success of local recycling programs, the Technical Management Committee to the DSW requested the Board of County Commissioners (BCC) approve proportionate funding provided by DSW to support municipal recycling programs within Pinellas County. Resolution 05-59 created a Municipal Recycling Reimbursement Grant Program, which was adopted on April 5, 2005. This program provides cities the opportunity to continue and enhance their recycling programs.

The program offers cities funding in amounts comparable to previous state funding. Local allocations are based on the same per capita funding formula as the prior state funding programs. The annual amount of program funding is proposed each fiscal year in the budget presented by DSW under the line item, "Aid to Government Agencies." Upon BCC's approval of DSW's operating budget, the director of DSW employs the funding formula to determine the exact amount of each program award from the approved funds available. Each municipality is notified in writing of its allocation for the upcoming fiscal year. Should some cities decide not to participate in the program, the funding balance available to the remaining participants is proportionately increased. Participants in fiscal year 2009/2010 received funding as follows:

FY 2009/2010 Allocation By Municipality



Since its inception, the Grant Program has provided a total of \$2,675,893 in grant funding to cities for expenditures directly related to and supporting recycling, which include:

- Equipment for recycling facilities.
- Recycling personnel costs.
- Operation of a recycling facility or program.
- Purchase of materials made from recycled materials.
- Public education about recycling.



Safety Harbor Recycling truck partially funded by county Solid Waste Municipal Recycling Reimbursement Grant program.



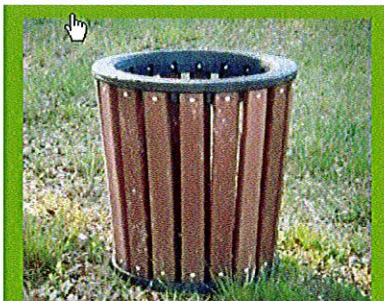
County recycling reimbursement grant helps fund public recycling education program being conducted by the City of Clearwater.



Low-Back Park Bench

Made from 100% recycled plastic, our Low-Back Park Bench meets the demands of the rugged outdoors without sacrificing comfort and style.

Products made from 100% recycled plastic such as benches, picnic tables, trash receptacles, and lumber are purchased through funding from the county Solid Waste Municipal Recycling Reimbursement Grant program.



32 Gallon Round Waste Receptacles

Made from 100% recycled plastic, our 32 Gallon Round Waste Receptacle is an excellent option for outdoor waste collection.



Recycled Plastic Lumber

Recycled plastic lumber is able to be utilized in most all of the same projects as its wood counterpart.



Adirondack Chairs

Our bestselling eco-friendly Adirondack Chair combines style and durability to create a fantastic option for your outdoor seating needs.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures, and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

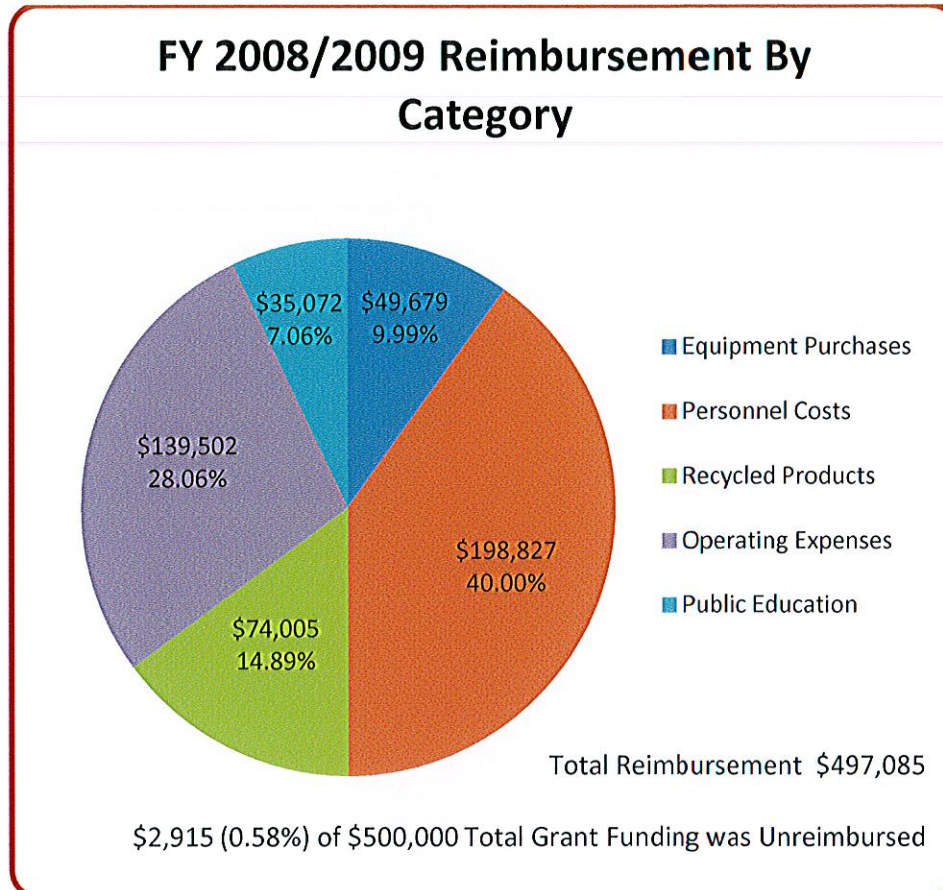
1. The Benefits Of The Municipal Recycling Grant Reimbursement Program Are Not Being Identified Or Measured.

Benefits of the Pinellas County Municipal Recycling Reimbursement Grant Program are not being specifically identified or measured. The program was established by the BCC's Resolution 05-59 in April of 2005 after state funding to municipalities was discontinued. The Grant Program is intended to help municipalities continue and to increase their recycling progress, which in turn helps the county reach its own recycling goals. Program funds are distributed on a reimbursement basis. The county's resolution states that reimbursement shall be limited to expenditures directly related to, and supporting recycling, including:

- Equipment for recycling facilities.
- Recycling personnel costs.
- Operations of recycling facility/programs
- Purchase of materials made from recycled materials.
- Public education.
- Construction of recycling facilities.

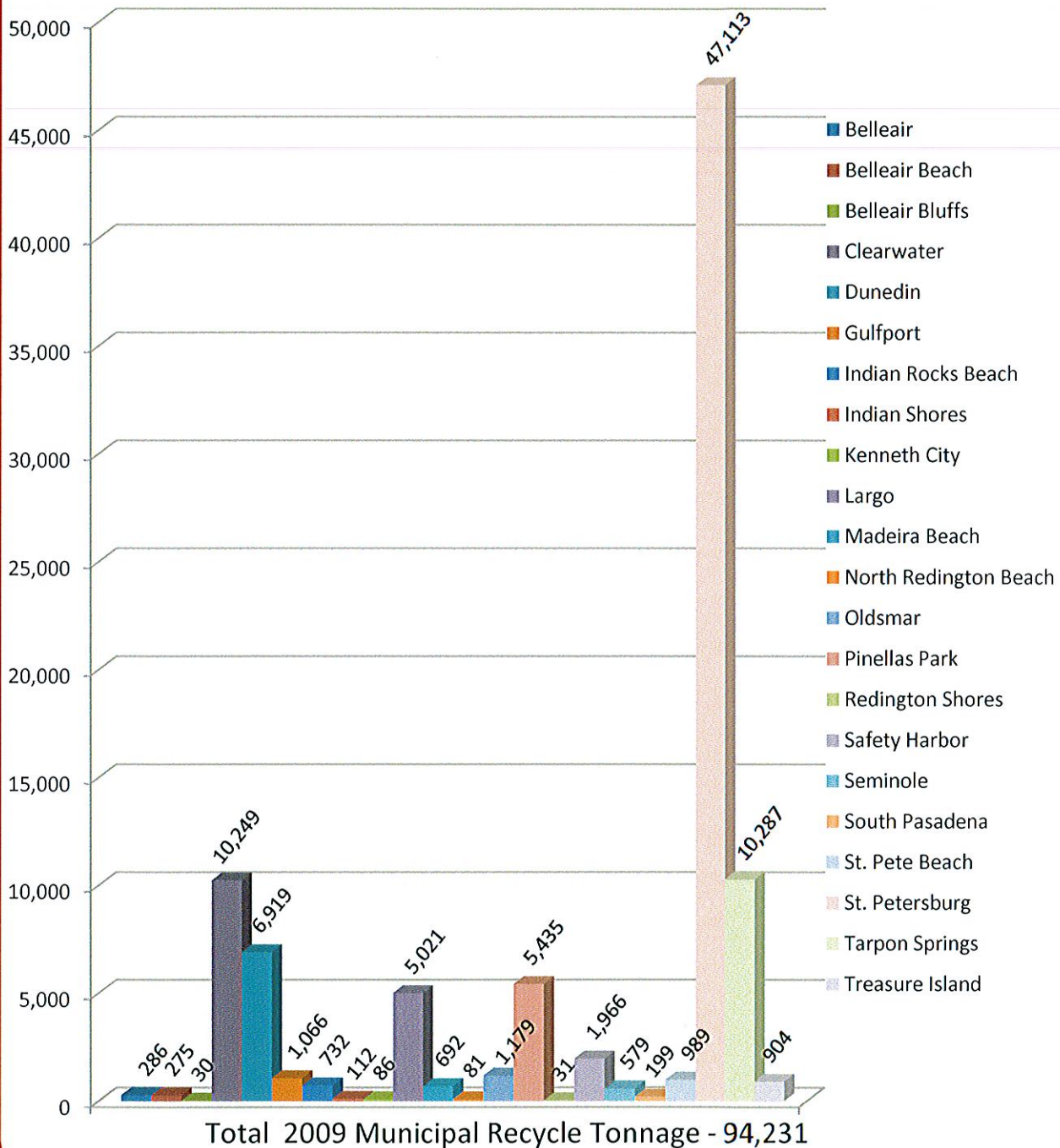
The initial fiscal year funding allocation to the municipalities totaled \$350,000. The dollar amount was increased to \$500,000 in fiscal year 2006/2007 and has remained at that level since. While the method for distribution of funds was established in Resolution 05-59 and is followed accurately, no measures exist for determining the success or failure of the Grant Program.

A summary of fiscal year 2008/2009 reimbursement by category shows the following:



Annual municipal recycling information is provided to DSW by the municipalities that received grant funding. This information is due to DSW by October of the following year, in time for DSW to prepare their reports to Florida Department of Environmental Protection (FDEP). The 2009 Annual Municipal Recycling Report provided to us by DSW shows tonnage by municipality:

2009 Annual Municipal Recycling Tonnage



Additionally, the report contains recycling tonnage from unincorporated areas within the county and commercial sources, neither of which receive grant funding.

Grant funding is spent on direct recycling efforts (equipment purchases, personnel costs, and operating expenses) and indirect efforts (public education and purchase of recycled products). For 2009, it can be concluded that \$497,085 of funding contributed to 94,230 tons of recycled material from participating municipalities. It is also reasonable to conclude that public education, an indirect effort, contributed to the 408,045 tons of recycled material from commercial sources not reported by municipalities and the 2,102 tons from unincorporated areas of the county.

DSW stated that they are responsible for the proper distribution of Grant Program funds per Resolution 05-59, but not for directly measuring the benefits. Based on information provided by management, we could not determine that any state or county agency or board has taken responsibility for establishing key performance indicators that could be used to measure the extent of benefits gained by the municipalities or the county from the Grant Program.

Neither Resolution 05-59 nor the Letter of Acceptance signed by the municipalities stipulates what, if any, statistics must be provided to DSW for purposes of tracking the progress of the Grant Program. Statistics on recycled tonnage are provided by municipalities per state mandate. If additional statistics are needed in order to develop metrics, management should consider appending the resolution to include such requirements.

With no criteria for determining how effective the Grant Program is, there is no accountability for the success or failure of the Grant Program and no measure for normal county evaluation of the Grant Program for the yearly budget process. In addition, this means that management cannot properly justify continuance of this program at the current level, or propose increases or decreases in the total funding amounts.

Best practices, such as those found in the 'Nine Steps to Success Methodology,' W. Edwards Deming's 'Plan Do Check Act' Cycle, and the 'Balanced Scorecard Approach,' stress the importance of performance measurement. All performance indicators need not be financial. Distribution of funds without measuring the extent of the benefit of those funds provided make it more difficult to conclude if the Grant Program is achieving its goal(s) and raises questions such as:

- Given that funding is allocated on a per capita basis, do the smaller cities receive enough to make a difference?
- Would it make a greater difference to the smaller cities if they had larger amounts?
- Would the funding be better utilized by larger cities, which could further enhance their recycling collection efforts?
- Can the larger cities have the same performance without the funding?
- Would DSW itself be better able to make a profound difference in overall recycling if they kept all or some of the funding, such as:

- Adding additional recycle drop off sites?
- Buying other equipment?
- Keep or hire additional employees?
- Add a second Household Electronics and Chemical Collection Center (HEC3)?
- Generally having a greater impact on the county recycle figures through their own efforts?

The county DSW has already shown their expertise in recycling advancement in the areas of:

- Curbside and drop off
- Electronics and chemicals
- Beach, yard, and mulch
- Business
- School paper
- Used motor oil
- Reefs
- Event recycling
- Education outreach
- Buying recycled materials/supplies

DSW is in the best position to determine how to measure the benefits of current funding and to use those measurements to re-evaluate the level of continuance of the Grant Program.

We recommend management:

Develop the appropriate statistical measurements to determine and quantify the effectiveness and the benefits of the Pinellas County Municipal Recycling Reimbursement Grant Program.

Management Response:

The Management of the Division of Solid Waste (DSW) partially concurs with the recommendation. The Division of Solid Waste does measure the overall benefit of all County recycling programs, which includes the Municipal Recycling Grant Reimbursement Program. We are in progress of better defining measurements of County recycling programs recognizing the difficulty of parsing the contribution of each individual program.



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